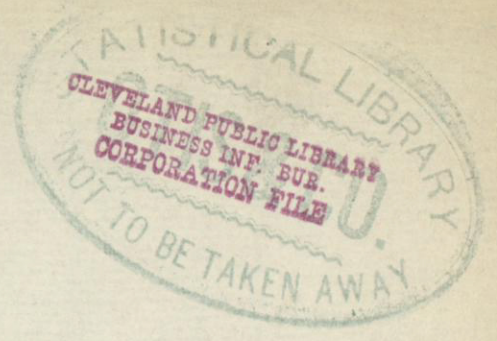


JUN 4 1928



# President's Report

To The

Stockholders of

# First National Stores Inc.

For The Year Ending

March 31, 1928



BOARDS  
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EXECUTIVE OFFICES  
5 MIDDLESEX AVENUE  
SOMERVILLE, MASS.

June 2, 1928.

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.

During the Fiscal year ending March 31, 1928, a great deal was accomplished in improving our shipping, warehousing and manufacturing functions. Our new central plant was completed in September 1927 and on October 1 we started shipping to our stores from it. Gradually our bakeries and various manufacturing departments were installed and on December 31, 1927 we were practically under full operation in our new quarters. During the period of moving our merchandise and manufacturing departments from the old plants to the new 11 acre base at Somerville there was a considerable amount of additional or recurrent expense. We are now operating there on a most satisfactory basis and the results secured are fully bearing out our original expectations of greater efficiency and lower operating costs.

On March 31, 1928 your company was operating 1717 grocery stores and 66 meat markets. During the year many old grocery stores were moved to more desirable locations and thirty-three combination grocery and meat markets were opened. Further conservative expansion of both types of stores will be carried on during the coming year.

Our sales volume is healthy and well balanced. Sales for the past year amounted to \$64,445,962 compared to \$59,038,304 for the previous year, a gain of \$5,407,658 or 9.16%. Your company enjoys a foremost part in the economic distribution of foods in New England. Our customer good will is our most valuable asset and it is the result of a real service rendered in affording *Quality Foods* at prices which play a large part in keeping down living costs in New England.

Financially your company is in good condition and has ample capital both for the ordinary needs of our business and for the normal investment in additional stores.

With our new warehouse and manufacturing plant now completed and in operation and with a continuance of present business conditions, we expect to show further progress in the present year.

FIRST NATIONAL STORES INC.

MICHAEL O'KEEFFE,  
*President.*

FIRST NATIONAL STORES INC.  
BALANCE SHEET—MARCH 31, 1928  
ASSETS

CURRENT ASSETS:

Cash in banks and on hand . . . . .	\$772,733.65	
United States Treasury Certificates . . . . .	301,234.29	
Accounts receivable . . . . .	\$334,744.29	
Less—Reserve for bad debts . . . . .	4,623.61	330,120.68
Inventories, merchandise, materials, and supplies on hand and in transit at cost or market whichever is lower . . . . .	6,453,575.84	\$7,857,664.46

INVESTMENTS:

Miscellaneous securities and advances . . . . .	\$60,163.65	
First National Stores Inc. first preferred and common shares purchased . . . . .	56,402.32	116,565.97

DEFERRED CHARGES:

Prepaid insurance and expenses . . . . .	\$199,754.16	
Leaseholds . . . . .	129,302.08	
Unamortized bond discount and expense . . . . .	49,613.61	378,669.85

FIXED ASSETS:

Land and buildings owned . . . . .	\$2,326,461.54	
Less—Reserve for depreciation . . . . .	31,811.86	
	\$2,294,649.68	
Building improvements, fixtures, machinery and equipment . . . . .	\$4,824,665.35	
Automobiles . . . . .	341,251.86	
	\$5,165,917.21	
Less—Reserve for depreciation . . . . .	1,855,849.09	3,310,068.12
		5,604,717.80

GOOD WILL . . . . .		1.00
		<u>\$13,957,619.08</u>

LIABILITIES

CURRENT LIABILITIES:

Notes payable . . . . .	\$675,000.00	
Acceptances payable under letters of credit . . . . .	430,403.90	
Purchase money obligations . . . . .	120,000.00	
Accounts payable . . . . .	1,688,422.82	
Employees' investment certificates . . . . .	335,760.00	
Provision for federal taxes . . . . .	242,322.26	\$3,491,908.98

FUNDED DEBT:

First mortgage 5% sinking fund gold bonds . . . . .		\$1,500,000.00
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RESERVES:

Miscellaneous . . . . .	\$13,588.13	
For sinking fund preferred stocks . . . . .	91,570.00	
For contingencies . . . . .	415,945.05	521,103.18

CAPITAL STOCK:

7% first preferred:		
Authorized and issued or held for exchange for outstanding 8% preferred stock—50,000 shares, par value \$100 each . . . . .	\$5,000,000.00	
Common:		
Authorized—600,000 shares without par value		
Issued—595,000 shares . . . . .	1,727,406.78	6,727,406.78

SURPLUS . . . . .		1,717,200.14
		<u>13,957,619.08</u>

We have examined the accounts of the First National Stores Inc. for the year ending March 31, 1928 and certify that, in our opinion, the above balance sheet and accompanying statement of earnings and surplus account show the financial position of the company at March 31, 1928 and the results of operations for the year.

Boston, Massachusetts, May 28, 1928.

PRICE, WATERHOUSE & CO.

MAY 24-32 HG

FIRST NATIONAL STORES INC.

STATEMENT OF EARNINGS FOR THE YEAR ENDING MARCH 31, 1928

Sales . . . . .		\$64,445,962.05
Cost of sales, expenses, and other (net) charges . . . . .		62,327,728.73
		<hr/>
Profit from operations before depreciation and federal taxes . . . . .		2,118,233.32
<i>Deduct:</i>		
Depreciation on fixed assets . . . . .		353,000.79
		<hr/>
		<b>\$1,765,232.53</b>
<i>Deduct:</i>		
Provision for federal taxes on profit from operations . . . . .		213,313.22
		<hr/>
Net profit from operations . . . . .		\$1,551,919.31
<i>Add:</i>		
Profit on sale of capital assets . . . . .	\$47,906.47	
Less—Federal taxes thereon . . . . .	6,467.37	41,439.10
		<hr/>
Total net profit for the year ending March 31, 1928 . . . . .		<u><u>\$1,593,358.41</u></u>

SURPLUS ACCOUNT FOR THE YEAR ENDING MARCH 31, 1928

Surplus at April 2, 1927 . . . . .		\$1,387,091.50
Net profit for year ending March 31, 1928 . . . . .	\$1,593,358.41	
Less—Dividends paid . . . . .	1,239,190.88	
		<hr/>
Balance after dividends . . . . .	354,167.53	
Provision for sinking fund 7% First Preferred Stock . . . . .	21,500.00	
		<hr/>
Balance added to surplus . . . . .		332,667.53
		<hr/>
<i>Deduct:</i> Prior years' state and federal taxes . . . . .		1,719,759.03
		2,558.89
		<hr/>
Surplus at March 31, 1928 . . . . .		<u><u>\$1,717,200.14</u></u>

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